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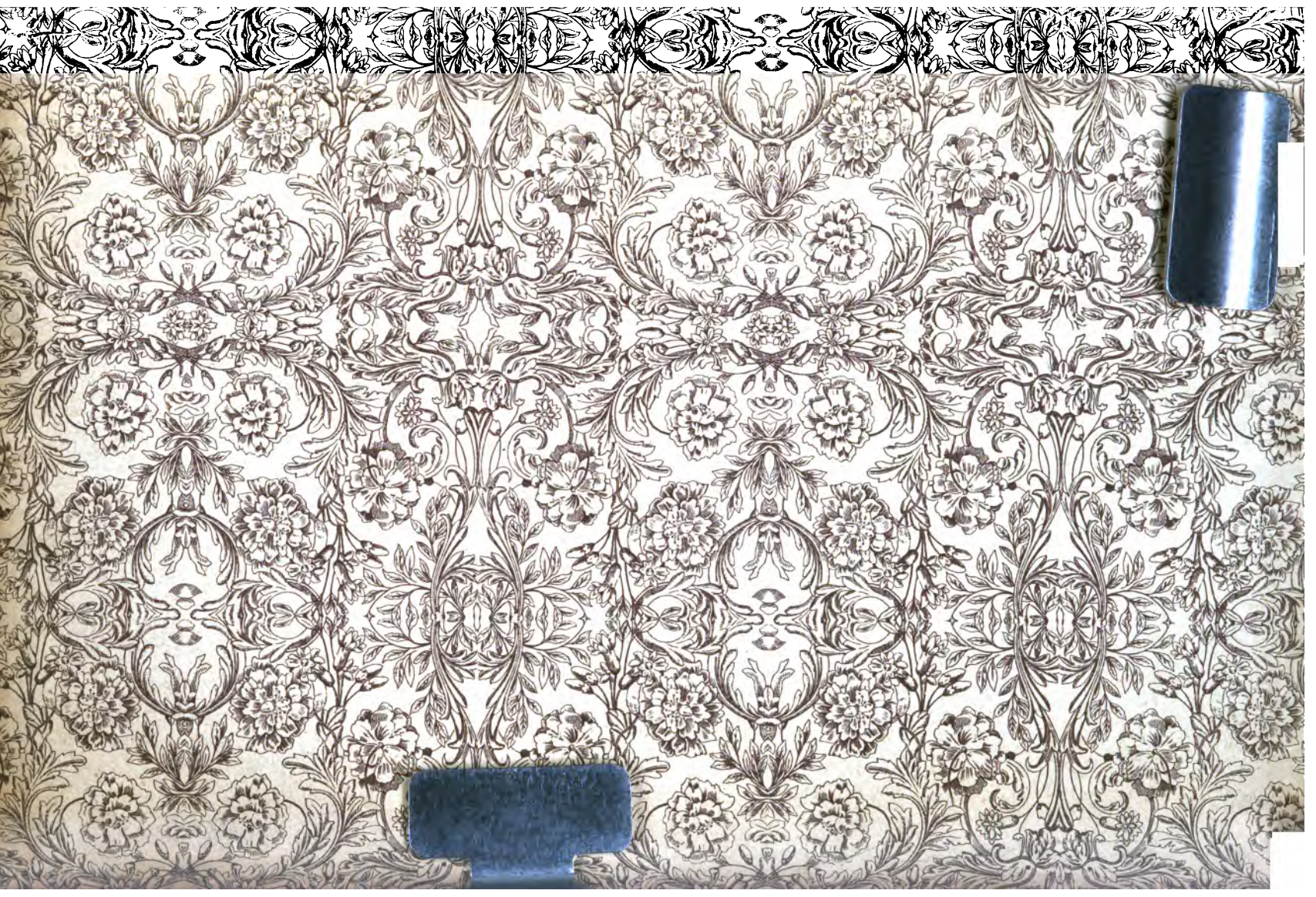
# FIRST MESSAGE

OF

# GOV. HENRY McBRIDE

TO THE

LEGISLATURE OF 1903



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STATE OF WASHINGTON (State) Govern

# FIRST MESSAGE

OF

# GOV. HENRY MCBRIDE

TO THE

# LEGISLATURE OF 1903

SEATTLE, WASH.:
METROPOLITAN PRESS,
1903.

# FIRST MESSAGE OF GOVERNOR HENRY McBRIDE.

STATE OF WASHINGTON, EXECUTIVE DEPARTMENT,
Olympia, January 13, 1903.

*Gentlemen of the Senate and of the House of Representatives:*

Since the adjournment of the last session of the Legislature the people have been called upon to mourn the loss of their Chief Executive. In the death of Governor John R. Rogers the State sustained a severe loss. Even those who differed from him in his views upon public questions admit that he was honest, conscientious and faithful in the performance of his duties, and that he gave the best there was in him to the service of the State. More than this cannot be asked for from any man. He was poor in worldly goods, the chief heritage left to his family being his name. In accordance with his own request he was buried with military honors. The funeral expenses, borne by his widow, amounted to $589.55. This, in view of her circumstances, was a heavy burden. I would recommend that she be reimbursed this sum by the State and that a relief bill be passed for that purpose.

## INTEREST AND REDEMPTION TAX.

By the terms of the Enabling Act the State was required to assume and pay the indebtedness of the Territory. To liquidate this indebtedness the sum of $300,000 was borrowed, in accordance with the provisions of an act of the Legislature (Session Laws 1889-90, page 33), upon State bonds payable at any time after five years and within fifteen years from date of issue, at the option of the State. This act also provided for the levy, for five consecutive years, of an annual tax not exceeding one-tenth of one mill to pay interest upon these bonds, and, beginning in 1895, for the levy of an annual tax not exceeding one-fifth of one mill for the purpose of their redemption. Upon this indebtedness the sum of $240,000 has been paid, leaving outstanding $60,000. The one-

fifth of one mill tax for the year 1902 will bring in something over $55,000. This, together with the cash on hand and delinquent taxes belonging to this fund, will amount to something over $83,000—a sum more than sufficient to redeem the outstanding bonds. I would, therefore, recommend the discontinuance of this tax.

## MILITARY FUND.

Section 176, Laws 1895, page 252, is as follows:

"For the purpose of raising revenue for the National Guard, there is hereby levied, and the proper officers shall collect, a tax of one-fifth of one mill upon all the property in the State subject to taxation for the present fiscal year, and for each fiscal year hereafter."

From the report of the State Auditor it appears that, adding to the cash in the treasury the delinquent taxes for the years 1896 to 1901 inclusive, and the proceeds to be derived from the 1902 levy, there will be in this fund the sum of $152,545. This is over and above the unexpended balance of the 1901 appropriation. Of that appropriation at least $12,000 will not be needed and will be covered back into the Military Fund, thus increasing it to something over $164,000 without any further levy. This should be amply sufficient to pay all expenses connected with the National Guard for the period of four years.

Therefore, I would suggest that the tax levy for the support of the National Guard be discontinued for the present, unless the Legislature in its wisdom should see fit to authorize the building of armories in accordance with the recommendation of the Adjutant General. Should it be deemed best to authorize the building of armories, and should a reasonable appropriation be made for that purpose, yet this tax could with perfect safety be reduced from one-fifth to one-tenth of one mill. Or, if the building of armories at this time should not be deemed wise, and, in view of the fact that the State has interest charges to meet, it should not be considered good policy to have the money in this fund remain idle, at least $75,000 might be transferred to the General Fund and the tax

be continued, but reduced from one-fifth of one mill to one-tenth of one mill.

## THE REVOLVING FUND.

In 1891 (Session Laws, page 202), the Legislature appropriated $30,000 to provide and maintain a permanent Revolving Fund for the purchase and delivery at the State penitentiary of jute, clay and other materials. In 1893 (Session Laws, page 212) a further appropriation of $50,000 was made for the same purpose. The act of 1893 also provided that the proceeds derived from the sale of jute and other fabrics, and brick manufactured at the penitentiary, should be placed in the Revolving Fund. There is now in this fund about $150,000, with sufficient manufactured material on hand, when sold, to raise it to at least $175,000. A Revolving Fund of $95,000 would be ample for the purpose intended. When the State is paying interest upon its indebtedness, I can see no good reason for retaining money in any fund where it is not needed. I would, therefore, recommend that the sum of $80,000 be transferred from the Revolving Fund to the General Fund—the latter fund being the fund out of which the State indebtedness is paid.

## PERMANENT SCHOOL FUND.

The proper investment of the Permanent School Fund is a matter of great importance. The Board of State Land Commissioners, consisting of the Commissioner of Public Lands, the Secretary of State and the Superintendent of Public Instruction, is authorized (Session Laws, 1897, Sec. 69, page 262) to invest this fund in National, State, county or municipal bonds, at par, bearing not less than five per cent. interest per annum, or in warrants drawn upon the State of Washington.

Section 1 of an act approved March 8, 1899 (Session Laws, pages 67 and 68), is as follows:

"Section 1. Whenever there shall be in the hands of the State Treasurer, belonging to the State Permanent School Fund, money to the amount of five thousand dollars or more, of which no investment can be made in the securities now or hereafter authorized

by law, and the State shall have an outstanding General Fund warrant indebtedness in an amount equal to or greater than the amount of five thousand dollars ($5,000), the Governor of the State and the State Auditor are hereby authorized, and it shall be their duty, to issue the bonds of the State of Washington in an amount equal to that amount, and sell and deliver such bond to the State Treasurer for the account of the State Permanent School Fund at the face or par value thereof."

Section 2 of said act as amended in 1901 (Session Laws, page 388) is as follows:

"Section 2. Such bonds shall bear date of issue and be issued in denominations of five thousand dollars ($5,000), and shall bear interest at the rate of three and one-half per cent. per annum, payable semi-annually on the first day of May and November of each year until paid, payable out of the State General Fund, and the State Treasurer is hereby authorized and directed to transfer from the said State General Fund to the said Current School Fund sufficient money to pay said interest as the same falls due, and certify the same to the State Auditor, which certificate shall be authority to said Auditor to make the necessary and proper entries in the books and records of his office to show such transfer. The principal of said bonds shall be payable, any or all of them, on or before twenty years from the date of issue, to the State Treasurer for the account of the State Permanent School Fund, out of the State General Fund, to which the proceeds thereof shall have been credited, and when paid the principal thereof shall be credited to the State Permanent School Fund."

September 30, 1902, according to the report of the State Treasurer, the Permanent School Fund account stood as follows:

| | |
|---|---|
| Invested in State bonds | $1,165,000.00 |
| Invested in county and school district bonds | 429,104.35 |
| Cash on hand | 320,027.90 |

The reason for such a large sum being on hand, belonging to this fund, is that the Board of State Land Commissioners could not invest it in such securities as are authorized by the Constitution and the laws of the State at so high a rate of interest as five

per cent. Counties, cities and school districts desirous of borrowing money could obtain it elsewhere at a lower rate.

It is estimated by the Commissioner of Public Lands that his office will turn over to the State Treasurer, to be placed in this fund, at least $600,000 in the next two years. It is to be hoped that the appropriations made at this session of the Legislature from the General Fund may not exceed the anticipated revenues, and that there may be no necessity of further borrowing from the Permanent School Fund for the benefit of that fund. Should this hope be realized, there will be in the Permanent School Fund, during the next fiscal term, in the neighborhood of one million dollars looking for investment. To find investments for this sum, in such securities as our Constitution and laws permit, it seems absolutely essential that the rate of interest be made less than five per cent. In the opinion of the Board of State Land Commissioners the rate should be reduced to three and one-half per cent. Others, somewhat versed in financial matters, seem to think a reduction to four per cent. would serve the desired purpose. These funds should not remain idle. On the other hand, as high a rate of interest as can be obtained should be demanded. The question is submitted to your wisdom.

## STATE CAPITOL FUND.

Against the State Capitol Fund warrants amounting to $77,004.16, bearing interest at the rate of eight per cent. per annum, were issued during the years 1893-4-5. The interest upon these warrants, on the first of January of this year, amounted to, approximately, the sum of $58,150; making the total sum, principal and interest due thereon, on said date, about $135,154.16. There are also outstanding against this fund warrants amounting to the sum of $350,000, drawing interest at the rate of five per cent. per annum, issued in accordance with the provision of the act of 1901 for the purchase and completion of a State Capitol building. The interest upon the last mentioned warrants is guaranteed by the State, but there is no such guarantee as to the other warrants. These warrants first mentioned, however, together with the inter-

est thereon, are a first lien upon the proceeds to be derived from the sale of lands granted to the State for public buildings at the Capital. Of this grant, which was 132,000 acres in the first instance, over 120,000 acres remain. Some of this land, in the opinion of the Commissioner of Public Lands, is worth, today, at least twenty dollars per acre; and he deems it conservative to say that, on an average, they are worth ten dollars per acre. If he is anywhere nearly right—and, in my judgment, I am prepared to say he is not very far wrong—why should we continue to pay eight per cent. interest on these $77,004.16 of outstanding warrants? These warrants, the principal and interest of which amount to about $135,154.16, being a first lien upon property which, in the not distant future, will sell for at least one million dollars, would be considered a safe investment by anyone. The Permanent School Fund has hundreds of thousands of dollars idle in the treasury. The Capitol Building Fund has outstanding against it warrants drawing eight per cent. interest per annum. Why not invest a portion of the Permanent School Fund at, say, three and one-half per cent., the same rate paid to that fund by the General Fund, in the warrants of the Capitol Building Fund, thus finding a safe investment for the Permanent School Fund, and, at the same time, saving to the Capitol Building Fund four and one-half per cent. per annum? The method of procedure would be this: Transfer from the Permanent School Fund to the Capitol Building Fund a sufficient sum to take up the eight per cent. interest bearing warrants outstanding against the latter fund. Issue State bonds to that amount, and deliver to the State Treasurer, for the account of the Permanent School Fund, said bonds to draw interest at the rate of three and one-half per cent. per annum, interest payable semi-annually. Provide for the payment of the interest upon these bonds from the General Fund. The Permanent School Fund and the General Fund would be amply protected by a first lien upon the proceeds derived from the sale of lands granted to the State for public buildings at the Capital. I would commend this subject to your careful consideration.

## STATE NORMAL SCHOOL FUND.

On the first of October, 1902, there was in the State Normal School Fund the sum of $8,809.74. Against this fund there are outstanding warrants to the amount of $108,810.07, issued between July 12, 1895, and April 16, 1899. These warrants bear interest at the rate of seven per cent. per annum; and it may be held, under Section 5, page 57, Session Laws of 1895, that the interest upon them is to be compounded. By the terms of the Enabling Act the State was granted one hundred thousand acres of land for State Normal schools. Of these lands, selected and approved, more than ninety-five thousand acres remain unsold. A question has arisen as to whether, under the terms of the grant, the proceeds derived from the sale of these lands can be used in the payment of outstanding warrants, or whether these proceeds must be placed in a permanent fund to be invested, and the interest only be used for that purpose. The proceeds derived from the sale of lands granted to the State for the support of common schools must constitute a permanent fund, the interest upon which only can be expended in their support. It is thought by some the same holds true of the proceeds derived from the sale of lands granted to the State for the Agricultural College, for Normal schools, for the Scientific school, and for the State charitable, educational, penal and reformatory institutions. But such is not the Legislative construction that has been given the Enabling Act. In 1893 the Legislature made appropriations for buildings at the Western Washington Hospital for the Insane, at the Eastern Washington Hospital for the Insane, at the State Penitentiary, at the State Reform School and at the Soldiers' Home—each of these appropriations being coupled with the express provision that the amount of the appropriation should be returned to the General Fund of the State treasury from the first proceeds of the sale of lands granted to the State for State charitable, educational, penal and reformatory institutions. At the same session appropriations were made for buildings at the Agricultural College and for the Normal School at Ellensburg, coupled, in the first instance, with the proviso that the General Fund should be reimbursed from the first proceeds derived from the sale of

lands granted to the State for a Scientific School, and, in the second, from the first proceeds derived from the sale of lands granted to the State for Normal Schools.

By the terms of an act approved March 7, 1895 (Session Laws, pages 55-6-7), a fund to be known as the "State Normal School Fund" was established and provision made that all proceeds derived from the sale of lands granted to the State for Normal Schools be paid into that fund, and that no appropriations for the erection of Normal School buildings be made from any other fund. By the same act an appropriation of $60,000 was made for buildings at the Cheney Normal School, and an appropriation of $40,000 for buildings at the Whatcom Normal School, with directions to draw warrants upon said State Normal School Fund to pay for the erection of such buildings. October 1, 1902, the Scientific School Fund contained $29,062.19; the Agricultural College Fund, $16,936.30; the Charitable, Educational, Penal and Reformatory Institutions Fund, $22,080.08; and the Normal School Fund, $8,809.74. These several funds may, and probably will be, very materially increased during the next fiscal term. If they are permanent and irreducible, and the interest only can be expended, then the Legislature should make provision for their investment. If, on the other hand, the Legislative construction placed upon the Enabling Act is correct, then such of these funds as have no warrants outstanding against them should be transferred to the General Fund; and where warrants are outstanding, the money on hand should be applied upon their payment. A test case has been brought in the Supreme Court of this State to determine this question, and a decision will probably be handed down in time for you to deal with this subject in such manner as your judgment approves. If it should be held that the proceeds from the sale of lands granted for Normal Schools do not constitute a permanent and irreducible fund, then the warrants outstanding against the State Normal School Fund are a first lien upon something over 95,000 acres of land. Here may be found an opportunity for a safe investment of a portion of the Permanent School Fund. These warrants, principal and interest, on the first of January of this year, amounted to, approximately, the sum of

$146,000. The Normal school lands in value certainly far exceed this sum. Should you look with favor upon this suggestion, the method of procedure might be the same as pointed out in what has been said in reference to outstanding warrants against the Capitol Building Fund.

## LOUISIANA PURCHASE EXPOSITION.

An exposition commemorative of the Louisiana Purchase will be held at St. Louis, opening on the first day of May, 1904. It seems beyond question that this exposition will be upon a grander scale, and will attract a larger number of visitors, than any ever before held. I believe our people, quite generally, are in favor of the State of Washington being worthily represented upon that occasion. It was at first supposed this exposition would be held in 1903. Had the original plan been adhered to, and had nothing been done here until after the convening of this Legislature, it is quite evident that sufficient time would not have remained for the assembling of a proper exhibit of the industries and resources of this State. For that reason a meeting, composed of business men and of representatives of various Chambers of Commerce and Boards of Trade, was held at the State Capital on the 25th of April, 1902, to determine what was best to be done. It was the sense of the meeting that the State should be fittingly represented at the St. Louis exposition, and that the Governor should appoint a commission of seven, and an Executive Commissioner, to take charge of the preliminary work and to raise funds to defray the necessary expenses, trusting to the Legislature to reimburse those advancing the money for that purpose. Coinciding with the views of the meeting, I appointed Hon. C. J. Lord, of Olympia; Hon. George B. Kandle, of Tacoma; Hon. Charles L. Denny, of Seattle; Hon. T. B. Sumner, of Everett; Hon. Miles C. Moore, of Walla Walla; Hon. George M. Brown, of Spokane, and Hon. A. H. Stulfauth, of Ellensburg, as Commissioners, and Hon. Elmer E. Johnston, of Everett, as Executive Commissioner. I am informed by the treasurer of the Commission, the Hon. C. J. Lord, that the sum of $1,900 will cover all expenses incurred in the preliminary work.

The Commission, at the time of its appointment, as well as myself, indulged the hope that no more than $50,000, at the very outside, would be required. Under date of December 21, 1902, the commission reported to me what had been done, but owing to a lack of funds that report has not been printed. It is subject, however, to your call, and I would commend it to your careful consideration. From the examination of the report it will be seen that, in the judgment of the Executive Commissioner, the sum of $63,950 could be expended to advantage. I believe, however, a careful examination will disclose that this sum could be reduced several thousand dollars without materially interfering with the benefits to be derived. Experience demonstrates that work entrusted to a few is better and more economically done than when entrusted to many. For that reason I would suggest that the membership of the commission you may provide for to take charge of this matter be made not too large. The expenditure of the appropriation made for this purpose should be under the direction of a few men of practical business training and executive ability. If strictly business methods are pursued, an appropriation of $50,000 would prove more beneficial to the State than double that amount under loose management, or a management permitting favoritism, or politics, to creep in to the detriment of the work.

## LEWIS AND CLARK EXPOSITION.

An exposition is in contemplation to be held at Portland, Oregon, in 1905, commemorative of the Lewis and Clark expedition. If this State is to take part an appropriation should be made for that purpose at this session of the Legislature. While the fact that it follows so closely upon the St. Louis exposition may lessen its value, viewed from a practical standpoint, yet sentiment naturally inclines one in its favor. What other States, including even Oregon, may do, is not yet known. Pursuant to Senate Concurrent Resolution No. 17, adopted March 4, 1901, Governor Rogers appointed Hon. F. J. Parker, of Walla Walla; Hon. J. G. Megler, of Brookfield; Hon. W. W. Tolman, of Spokane; Hon. E. M. Rands, of Vancouver, and Hon. George W. Rowan, of Castle Rock, as

members of a commission to represent the State of Washington in the preliminary work connected with this exposition, and to report to this Legislature its recommendations as to what appropriation should be made. The report of this commission will, doubtless, be laid before you. A company under the name of "The Lewis and Clark Centennial and American Pacific Exposition and Oriental Fair" has been incorporated with a capital stock of $500,000. Of this sum, $360,000 have been subscribed by the citizens of Portland, and no doubt is entertained but that the full amount of the capital stock will be subscribed. The management expects the Legislature of Oregon to appropriate $500,000, and that other States, especially those upon the Pacific Coast, will be adequately represented. Probably you will be in possession of sufficient information before the close of the session to enable you to determine the proper course to pursue.

## FURNISHING LEGISLATIVE CHAMBERS.

On the 20th day of June, 1902, arrangements were entered into for furnishing the legislative chambers in the new Capitol, the Commission then still having a strong hope that the building might be completed in time for occupancy at this session. Bids were called for, due notice having been given through the principal newspapers of the State. The lowest and best bids were accepted, but the Commission not having the necessary funds, no attempt was made to bind the State. The successful bidders were simply given the privilege of putting in the necessary furniture, with the understanding that they might remove it unless this Legislature, within thirty days from the opening of the session, made an appropriation to pay for the same. The Commission believes that the price agreed upon between it and the successful bidders is fair and reasonable. I would suggest that each house appoint a committee to consider this matter. The Secretary of the Capitol Commission will lay before such committees all information in its possession.

## INCREASE IN BUSINESS MEANS INCREASE IN EXPENSES.

Growth in population and increase in volume of business necessarily call for a constantly increasing expenditure for public purposes. The number of inmates in our asylums for the insane, and in the penitentiary, is steadily growing. September 30, 1898, our asylums for the insane contained 850 patients. September 30, 1900, this number had increased to 1019, and September 30, 1902, to 1146. These unfortunates, together with the inmates for the School for Defective Youth and the Reform School, must be properly cared for. September 30, 1898, there were 320 convicts in the State Penitentiary; September 30, 1900, 405; September 30, 1902, 580.

From September 30, 1898, to September 30, 1902, the membership of the Soldiers' Home increased from 112 to 168. No one can object to these men, who, in the hour of their country's dire need, fought its battles, receiving the necessary support at the hands of the State.

Our higher educational institutions, the State University, the Agricultural College and School of Science, and our three Normal Schools, are supported by appropriations from the General Fund. The number in attendance increases with an increasing population, and at each succeeding session of the Legislature it has seemed necessary to make larger appropriations for the support and maintenance of these educational institutions. If it were left to the heads of these institutions, or to their boards of regents or trustees, to say how much money could be spent to advantage in their support, no doubt the aggregate would far exceed the State's ability to provide the means. I do not say this by way of criticism, for it is undoubtedly true that the field of usefulness of our State University, or of our Agricultural College, or of our Normal Schools, could be greatly enlarged, did the revenues of the State permit. To the Legislature falls the task of squaring the natural desire of those in immediate charge of these institutions with our financial condition. Viewed from this standpoint, you will prob-

ably feel yourselves compelled to deny them some things that, under different circumstances, you would willingly grant.

In passing, permit me the suggestion that our educational institutions should be kept entirely free from politics, or political influence of any kind. Appropriations for their support should not be made to hinge upon other legislation. In this matter but two considerations should govern—their actual needs, and the ability of the State to meet those needs. I have not caused the removal of any member of the board of regents, or board of trustees, of these institutions, nor have I appointed any such member, for political reasons; nor shall I do so. And, whatever contests may face us during this session, I indulge the hope that no one of our educational institutions may be made the football of contending forces, or of aspirants for place.

The increase in the membership of the Legislature means an increase in legislative expenses. And it is probably true that the growing volume of business in other departments may call for heavier appropriations. I mention these things simply for the purpose of showing the necessity for strict economy, for, with the exercise of the wisest economy, the problem of making our revenues keep pace with our increasing expenditures is, at the best, a perplexing one.

True, it is generally supposed that the State is upon a cash basis; and to the extent that warrants now drawn upon the General Fund are paid in cash upon presentation, that supposition is correct. But it does not follow from this that the State is out of debt, or even that its finances are in the most healthy condition.

## GENERAL FUND INDEBTEDNESS.

October 31, 1896, according to the report of the then State Auditor, the General Fund warrant indebtedness, over and above the cash on hand in that fund, was $1,777,918.03. This did not include the interest due on the warrants. September 30, 1902, according to the report of the State Treasurer, the General Fund indebtedness, not including interest, over and above cash on hand in that fund, was $1,205,579.57. This consisted of two items:—

General Fund warrants outstanding, $45,741.19; State bonds held by the Permanent School Fund for money borrowed from that fund and transferred to the General Fund, $1,165,000. The cash in the General Fund at that time was $5,161.62.

From October 31, 1896, to September 30, 1902, the General Fund indebtedness decreased $572,308.46. But it is well known that, at the date of the first report above referred to, a large amount of delinquent taxes was outstanding. It is also equally well known that soon thereafter a general revival of business set in, and that delinquent taxes began to flow into the treasury. In 1897, from delinquent taxes for the years 1893-4-5, the General Fund received $226,879.37; in 1898, for the years from 1893 to 1896 inclusive, $139,974.87; in 1899, for the years from 1893 to 1896 inclusive, $121,943.58; in 1900, for the years from 1893 to 1896 inclusive, $48,073.50; in 1901, for the years 1894 to 1896 inclusive, $22,602.67; in 1902, for the years 1895 and 1896, $10,681.94; making a total of $570,155.93. During the years 1897 to 1899 inclusive, the General Fund also received from delinquent taxes for the year 1892 and preceding years, approximately, the sum of $35,000.

Thus it will be seen that from 1897 to 1902 inclusive the General Fund received from delinquent taxes of 1896 and preceding years the sum of $605,155.93—a sum in excess of the decrease in the General Fund indebtedness during that period.

On October 19, 1897, the Attorney General advised the State Treasurer that the act creating the Tide Land Fund, approved March 26, 1890, had been repealed by Section 70 of the General Land act, approved March 26, 1897 (Session Laws 1897, page 263). The moneys that had accumulated in the Tide Land Fund were transferred to the General Fund; and the proceeds derived from the sale of tide lands since that time have been placed in the same fund. From 1897 to September 30, 1902, the General Fund received from this source alone the sum of $1,079,051.25. During this period of six years the General Fund received from delinquent taxes for the year 1896 and preceding years the sum of $605,155.93; and from the sale of tide lands the sum of $1,079,051.25, making a total of $1,684,207.18, and yet during that period the General

Fund indebtedness was reduced but $572,308.46. The taxes that became delinquent during the period of depression have nearly all been collected. Our tide lands are at best but a temporary source of revenue. The proceeds derived from their sale will soon begin to diminish, and, in a very few years, will practically cease.

These facts emphasize the necessity of strict economy; and likewise the necessity of finding some new source of revenue if our income is to keep pace with our expenditures.

## TAXATION.

The rate of taxation should not be increased, except as a last resort, for the burden now borne by our people is sufficiently heavy. In some parts of the State the rate of taxation, including the levy for State, school, county, road and city or town purposes, is at least forty mills on the dollar. Such a rate, in addition to being a hardship upon the taxpayer, tends to prevent the natural growth and development of any locality. Intending investors inquire closely into the matter of taxation, and, where the rate is found to be abnormally high, they naturally turn to other sections where the burden in this respect is lighter.

There is in this State property that escapes taxation altogether, and other property that is assessed at but a small fractional part of its market value. As an instance of the former, I would call attention to sleeping car companies doing business in this State; of the latter, to our railroads.

From the report of the State Board of Equalization I find that the main track of the railroads in this State is divided into five classes. The first class, consisting of 965 miles and a fraction, is equalized at $6,600 per mile. This, it is believed, is not more than one-tenth of its actual market value. The second class, consisting of 1558 and a fraction miles, is equalized at $5,280 per mile; the third class, consisting of 220 and a fraction miles, at $3,168 per mile; the four class, consisting of 156 and a fraction miles, at $2,000 per mile; and the fifth class, consisting of 81 and a fraction miles, at $1,320 per mile. The total length of main track is 2981 and a fraction miles, and it is assessed at the insignificant sum

of $15,718,512—insignificant, at least, in comparison with its real value. Of side track there is 536 and a fraction miles, assessed at $1,132,561. The average assessed value of main track per mile is $5,271.45. The average assessed value of side track per mile is $2,112.03. The aggregate assessed value of rolling stock and all railroad personal property, is $3,753,586. The aggregate assessed value of all railroad property in the State, used for railroad purposes, is $20,604,659. By those who have inquired into the matter, the statement that this property is worth at least $200,000,000, is deemed conservative. But I am not advocating that it should be assessed at the full sum of $200,000,000; for I believe that throughout the State, quite generally, property is assessed something below its real value. But that the disproportion between the real and the assessed value of other property is anywhere nearly so great as the disproportion between the real and the assessed valuation of railroad property, no one can be found to contend.

Is there any good reason why you should permit the continuance of such a state of affairs? Property now escaping taxation altogether, as well as that assessed at a figure ridiculously low, certainly receives a benefit in the protection afforded it by our laws. The cost to the State of affording protection to railroad property, dollar for dollar, in value, is, probably, greater than the cost of affording similar protection to any other class of property in the State. Why, then, should these great corporations be permitted to shift their fair share of the public burden to the shoulders of others? The present system of assessing railroad property at a figure merely nominal is not without its advocates. They urge that all taxes paid by the railroad companies must be collected from the people in the shape of passenger and freight rates; and that, therefore, the valuation placed upon railroad property for purposes of taxation is a matter of no particular concern to the people. This argument, if it can be dignified by that name, would apply with equal force to any and all kinds of merchandise. The owner might say: "Do not assess my property. If you do, what I pay in taxes will be added to the selling price, and it will not be I, but the purchaser, who will have to pay the taxes." By this line of reasoning, carried to its logical end, the State would be shorn of its revenues

and rendered powerless to afford protection to person and property—the purpose for which government is called into being, and the only ground upon which it can justify its existence. If property now escaping taxation should be placed upon the assessment roll, and all property should be fairly assessed, the revenues of the State would be ample, without any increase in the rate of taxation. Indeed, should this be done, we might, with the exercise of a wise economy, reasonably look, in a short time, for a material reduction in the rate of taxation. This, besides affording relief to the individual taxpayer, would be an element in attracting hither the homeseeker and the capitalist in search of investments.

## STATE BOARD OF EQUALIZATION.

The State Board of Equalization, consisting of the Secretary of State, the Commissioner of Public Lands and the State Auditor, is powerless to afford relief in the matter of the proper assessment of railroad property. This board simply apportions among the several counties the amount of tax to be raised in the State for State purposes. It does not determine the *rate* of taxation, but the total sum to be paid by each county to the State for State purposes. Section 1717, 1 Bal., is as follows:

"When the State board complete their equalization, the Auditor of State shall transmit to each County Auditor a transcript of the proceedings of the board, within ten days after said board adjourns, specifying the amount to be levied and collected on said assessment books for State purposes for each year, and the County Auditor shall compute the required percentum on the valuation thereof as it stands after the same has been equalized by the County Board of Equalization, and shall extend such taxes in the proper columns of such books."

The valuation placed upon railroad property by County Assessors, as equalized by the Boards of County Commissioners, is the basis upon which the tax levy is made for both State and County purposes. If railroads should be assessed in any particular county at, say, $5,280 per mile, the State board could not change that valuation even for State purposes. If it should be of the opinion that

the road was worth, say, $30,000, instead of $5,280, per mile, it could take that fact in consideration only for the purpose of determining the total sum to be paid to the State by that particular County—the levy would have to be made by the County Auditor upon the basis of $5,280 per mile. Should the State board, believing the property to be worth $30,000 per mile, instead of $5,280, by reason of that fact demand a larger sum from the county, the increased burden would not fall upon the railroad property, where of right it should fall, but, in the main, upon other property in the County assessed at a fair valuation. To do this would be inflicting a penalty upon the taxpayer whose property is properly assessed for the action of county officials in assessing railroad property too low.

Considering the powerful influence exerted by the railroads, and the peculiar methods resorted to by some of their agents, it would be expecting almost too much to look for any marked improvement under the law as it now stands. The State Board should be a Board of Equalization in fact instead of in name only, as at present. Upon it should be conferred the power to change valuations as equalized by County boards; and such changes as it directs in this respect should be made upon the books of the several counties. In other words, the valuation of property as equalized by the State board, instead of the valuation as equalized by County boards, should be the basis upon which taxes are levied for both State and county purposes. The State board then, instead of simply determining the sum total to be paid by each county for State purposes, as now, would determine the rate of taxation for State purposes. It should also have the power to place upon the assessment rolls any property omitted by County Assessors. With these changes, the responsibility for property escaping taxation, or being assessed at but a small fraction of its real value, would rest upon the State board, instead of being divided, as now, among the Assessors and the Commissioners of the several counties.

Any person or corporation so desiring should have the right to appear before the State board, but the decision of that board upon all questions relating to valuations should be final. No person or corporation should be permitted to bring an action in any court to reduce the assessed valuation of property as determined by the

State board, or to reduce or interfere in any way with the collection of taxes based upon such assessment, unless such action is based upon fraud. No such action should be permitted unless commenced prior to the time the taxes complained of become delinquent; and the amount of such taxes should be deposited in court at the time the action is commenced. In any action brought by a corporation, doing business in more than one county, the State should be made a party, and it should be the duty of the Attorney General to defend the same. No compromise of an action should be permitted. In the event of it being determined that the assessed valuation, by reason of fraud, is too high, the court should be required to find the amount of taxes that should be paid and to direct in its decree that such amount should be turned over to the proper officials from the moneys deposited in court.

In this connection, I would also call attention to the fact that each of the gentlemen upon the State Board of Equalization, as now constituted—the Secretary of State, the State Auditor and the State Land Commissioner—is busy with the affairs of his own office, and has not the time to enter upon an exhaustive study of values. But even if the board had the time, it has not the right to call for and examine books, papers, vouchers and other documents, nor to send for and examine under oath witnesses—powers especially essential in arriving at a just determination as to the value of railroad property. In the event of the passage of a railway commission bill, the commissioners selected would necessarily have to ascertain the value of all the railroad property in the State. They might be required to certify such values to the State Board of Equalization for its information and guidance; or, what would, perhaps, be better, they might be made ex-officio members of the board.

## FILING AND LICENSE FEES OF CORPORATIONS.

Our laws provide that every corporation incorporated under the laws of this State, having a capital stock divided into shares, shall pay to the Secretary of State, for the use of the State, a fee of ten dollars, payable upon the filing of the articles of incorporation.

Every corporation incorporated under the laws of any State or Territory of the United States, or of any foreign State, is also required to pay a like fee upon the filing of a certified copy of its articles of incorporation. In some of the States the fee payable upon the filing of such articles is made to depend upon the amount of the capital stock of the corporation. In Iowa, for instance, a fee of twenty-five dollars, and an additional fee of one dollar per thousand upon all authorized stock in excess of ten thousand dollars, is required; with the provision, however, that in no event shall a fee in excess of three hundred and fifty dollars be charged.

Our laws also provide for the payment of an annual license fee of ten dollars by domestic and foreign corporations doing business in this State. The provisions above referred to do not apply to "corporations not for pecuniary profit, or to corporations organized for religious, social, fraternal, charitable, benevolent or educational purposes, nor to such insurance companies as are required to pay an annual license under the insurance laws of this State."

In some States the annual license fee paid by corporations is also made to depend upon the capital stock. Nor would this seem to be unjust. Why should a corporation for carrying on the shingle business on a small scale, or conducting a creamery, with a capital stock of ten thousand dollars, pay the same annual license as a corporation with a capital stock of a million, or of several million, dollars?

Such a measure would tend to discourage the formation of corporations with a large capital stock and a small amount of cash, or tangible property—corporations based, in the main, upon roseate expectations.

Small as our license fee is, it is not always paid. Thousands of dollars are outstanding. But this disposition to evade its payment could be readily overcome. Colorado, at least, seems to have found an effective remedy in the following provision:

"Every corporation which shall have failed to pay the tax provided for in Sections 64 and 65 (the annual license fee tax), shall, by reason of such failure, forfeit its right to do business within the limits of this State until such tax is paid, and shall be absolutely and wholly deprived of all such rights and privileges, and the fact

of such failure may be pleaded and maintained as an absolute defense to any and all actions, suits or proceedings, in law or equity, brought or maintained by or on behalf of such corporation, in any court of competent jurisdiction within the limits of this State, until such tax is paid."

Where the payment of a just and reasonable license fee is required of a corporation, and such payment is refused, there certainly can be no injustice in saying to such corporation: "You shall not use the courts of this State to enforce your just demands or claims against others, until such time as the State's just claim against you is liquidated." I would, therefore, recommend that the fees for filing articles of incorporation, or certified copies thereof, in the office of the Secretary of State, as well as the annual license fees required of corporations for the privilege of doing business in this State, be made to bear some relation to the capital stock of such corporations; and that some method be adopted insuring the payment of such license fees when they fall due. Between the corporations themselves such a measure would be eminently fair —and not unfair as between the corporations and the people. The former would simply be making some return for privileges granted. Our revenues would be materially increased, and the people, indirectly at least, afforded some slight protection against watered concerns.

## THE MERGER.

Sections 14, 16 and 22, of Article XII., of our State Constitution, are as follows:

"Section 14. No railroad company or other common carrier shall combine or make any contract with the owners of any vessel that leaves port or makes port in this State, or with any common carrier, by which combination or contract the earnings of one doing the carrying are to be shared by the other not doing the carrying."

"Section 16. No railroad corporation shall consolidate its stock, property, or franchises with any other railroad corporation owning a competing line."

"Section 22. Monopolies and trusts shall never be allowed in this State, and no incorporated company, copartnership, or associa-

tion of persons in the State shall, directly or indirectly, combine or make any contract with any other incorporated company, foreign or domestic, through their stockholders, or the trustees, or assignees of such stockholders, or with any copartnership or association of persons, or in any manner whatever, for the purpose of fixing the price or limiting the production or regulating the transportation of any product or commodity. The Legislature shall pass laws for the enforcement of this section by adequate penalties, and in case of incorporated companies, if necessary for that purpose, may declare a forfeiture of their franchise."

It is evident that these Constitutional provisions were aimed against the throttling of competition by trusts or monopolies, and against combinations having for their purpose the elimination of competition in regulating transportation charges. Prior to the formation of the Northern Securities Company, the Northern Pacific Railway Company and the Great Northern Railway Company, both operating in this State, were competing lines. Since that time competition between them has practically ceased. Believing that the formation of the Northern Securities Company, and the taking over by it of the stock of the Northern Pacific and Great Northern Railway Companies, were in violation of our Constitutional provisions; and believing that the enunciation, by those interested, of the doctrine that the people's best protection is to be found in "the enlightened self-interest of the captains of industry" had not repealed those provisions, nothing was left to be done, as viewed by the Attorney General of the State and myself, but to bring a suit to test the question. Accordingly suit was brought in the name of the State of Washington against the Northern Securities Company and the Northern Pacific and Great Northern Railway Companies, and the action is now pending in the Supreme Court of the United States. An appropriation to defray the expenses of this action will be necessary. As each of you, as well as myself, have sworn to support the Constitution of the State; and as we are informed by the head of the legal department of the State that there is reason to believe the Constitution is being violated, there should be no hesitancy in making the necessary appropriation. I would recommend an appropriation of ten thousand

dollars, or so much thereof as may be necessary. You may rest assured the Attorney General will not permit the expenditure of a single dollar not absolutely necessary for the proper presentation of the case on the part of the State.

## FREE PASSES.

In regard to free passes the language of our State Constitution is as follows:

"Section 39, Article II. It shall not be lawful for any person holding public office in this State to accept or use a pass, or to purchase transportation from any railroad, or other corporation, other than as the same may be purchased by the general public, and the Legislature shall pass laws to enforce this provision."

"Section 20, Article XII. No railroad or other transportation company shall grant free passes or sell tickets or passes at a discount, other than as sold to the public generally, to any member of the Legislature or to any person holding public office in this State. The Legislature shall pass laws to carry this provision into effect."

The Republican State platform says:

"We are in favor of the passage by the next Legislature of an anti-pass bill, in compliance with the provisions of our State Constitution."

The Democratic party, in its State platform, makes this declaration:

"We favor legislation to carry out the imperative mandate of the Constitution of the State forbidding the giving to or receiving by public officers of free passes on railways and transportation lines."

The practice of giving free passes has been highly detrimental to the public service. Not a single valid argument can be adduced in its favor. Free passes in the hands of an unscrupulous lobby have been a potent instrument in seducing public officials from their allegiance to the people, and in throttling legislation not satisfactory to the railroads. The mandate of the Constitution—the pledges of both political parties—the personal honor and integrity of mem-

bers of the Legislature, all unite in urging the passage of a stringent anti-pass bill.

## RAILWAY COMMISSION.

The most important matter to come before you, at this session, is the question of establishing a railway commission.

The Republican State platform contains the following plank:

"We are in favor of the passage of a bill by the next Legislature establishing a Railroad Commission, to consist of three members to be appointed by the Governor, no more than two to be taken from the dominant political party, said Commission to be clothed with power to regulate freight and passenger rates, to determine the value of railroad property for purposes of assessment and taxation, to prevent unjust discriminations, and to inquire into and remedy such abuses as may be found to exist."

This plank was inserted in the platform after a full, fair and free discussion of its merits. After a majority of the convention had declared themselves in favor of it, it was unanimously adopted, upon motion made by the leader of the railway forces, and seconded by a prominent opponent of the commission idea. The policy of the Democratic party upon this question, as outlined in its State platfrom, is, substantially, in accord with the declaration of the Republican party. If it seems strange that the two political parties are in accord upon this question, an explanation can readily be found in the overwhelming public sentiment in favor of a Railway Commission. Neither of the political parties, in its platform utterances, was actuated by any spirit of hostility against railway corporations, nor are any of the advocates of a commission in any part of the State actuated by any such feeling. The right of the State to regulate railroad corporations is unquestioned. That the only effective way to do this is through the medium of a commission clothed with the necessary power, is undisputed. The claim that such a commission would be a menace to the State is wholly unfounded—is contradicted, in fact, by the experience of every State in the Union having a regulative commission. The history of these commissions conclusively proves the following propositions: They serve to equalize and reduce rates; to do away with discrimination,

and to correct other abuses; to bring about a better understanding and feeling between the people and the railroads. They in no way interfere with the development of a State, or the building of new railroads, or the extension of those already in operation. On the contrary, they have very materially assisted in the development of the States in which they have been established.

When confronted with this evidence, some of the opponents of the measure are driven to the statement that three honest men, competent to administer such a law, cannot be found in the State of Washington. This is an insult to the manhood of the State. Such a charge marks the civic debasement of those making it—calls attention to their straying from the paths of good citizenship as nothing else could. We need not be surprised, therefore, to find that this tender solicitude for the public weal—this haunting fear that the commissioners selected may prove false to their trust, is directly traceable to the railroad lobby. Another charge sometimes made is that those in favor of a regulative commission for this State are not honest in their advocacy of such a measure, but are endeavoring to build up a political machine. I do not believe any one takes this charge seriously. But if you suspect there is any truth in it, the threatened danger is easily guarded against. Pass the bill with the emergency clause, and make the appointees under it subject to confirmation by the Senate. The names of the Commissioners will then be sent in before the Legislature adjourns, and the Senate can pass upon their fitness. Whatever distrust those raising the cry of "political machine" may have of the Executive, certainly that distrust cannot extend to the Senate.

But the time for discussing the question seems to me to be past. There is before you, properly speaking, no issue of commission or anti-commission. With the depositing of the last ballot on the 4th of November, the discussion was closed. The question has become one of political honesty. Do platform pledges mean anything? A political party that refuses to live up to its pledges deserves defeat at the hands of the people. An individual who betrays his party is deserving of political oblivion. On the one hand we have the solemn pledges of the two great political parties; on the other, an unscrupulous and corrupt lobby—a lobby that has

become a stench in the nostrils of the people of the State. Which will have the greater weight? This lobby insolently boasts that a majority of the members of this Legislature are its creatures, ready to do its bidding. I repel this infamous charge. I do not believe it to be true, nor will I believe it, unless forced to do so by the record of the vote taken upon the final passage of the measures to which both the political parties of this State are committed.

Stripped of all of its disguises, the question simply resolves itself into a choice between political honesty and political perfidy. The choice rests with you.

## CONCLUSION.

In conclusion, permit me to express the hope that your sessions may be characterized by a feeling of mutual good will, and that your labors may redound to the honor of the State. You will find me ready to co-operate with you in any measure that is deemed for the public good.

HENRY McBRIDE,
Governor.